



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

March 11, 2008

Nelly Brierty
Human Resources Manager
Chevron USA, Incorporated
c/o Chevron North America
Exploration and Production Company
9525 Camino Media
Bakersfield, CA 93311

Dear Ms. Brierty:

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET03-0355 for the period June 30, 2003, through June 29, 2005.

The report indicates the Chevron USA, Inc. has complied with the terms of the Agreement and the California Unemployment Insurance Code.

We appreciate the courtesy and cooperation extended to our auditor during the audit. If you have any questions, please contact me at (916) 327-5439.

Sincerely,

Original signed by:

Charles Rufo
Audit Director

Enclosures

cc: Penny Ratzlaff, Human Resources Assistant

CHEVRON USA, INC.

Agreement No. ET03-0355

Final Audit Report

For The Period

June 30, 2003, through June 29, 2005

Report Published March 11, 2008

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AUDITOR'S REPORT

Summary

We performed an audit of Chevron USA, Inc. Agreement No. ET03-0355 for the period of June 30, 2003 through June 29, 2005. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit fieldwork was performed during the period October 23, 2006 through October 26, 2006.

The Employment Training Panel (ETP) paid the Contractor a total of \$136,761.75. Our audit revealed the entire \$136,761.75 is allowable. However, we noted an administrative finding for inaccurate reporting of trainee wage rates.

SCHEDULE 1 – Summary of Audit Results

Background

Chevron USA, Inc., (Chevron) is an operating company of ChevronTexaco. Within Chevron, the San Joaquin Valley Business Unit is a leading California producer of oil & gas, producing approximately 260,000 barrels of oil and equivalent gas per day. The company employs approximately 1,000 full-time workers in Kern and San Luis Obispo Counties.

This is the third ETP Agreement with Chevron. The training was proposed to increase process improvement and operating efficiency. ETP training provided Continuous Improvement, Computer Skills, Business Skills, Management Skills, Advanced Technology, and Manufacturing Skills to Technicians, Operators, Craftworkers, Information Technology and Administrative staff, and Supervisors.

This Agreement allowed Chevron to receive a maximum reimbursement of \$554,528 for retraining 992 employees. During the Agreement term, the Contractor placed 246 trainees and was reimbursed \$136,761.25 by ETP.

Objectives, Scope, and Methodology

We performed our audit in accordance with *Government Auditing Standards*, promulgated by the United States General Accounting Office. We did not audit the financial statements of Chevron. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that Chevron, complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.

Accordingly, we reviewed, tested, and analyzed the Contractor's documentation supporting training cost reimbursements. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees received the minimum training hours specified in the Agreement.
- Trainees were employed continuously full-time with Contractor for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.

SCHEDULE 1 – Summary of Audit Results

- The Contractor's cash receipts agree with ETP cash disbursement records.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

Conclusion Our audit revealed Chevron complied with the terms of the Agreement and the California Unemployment Insurance Code. As a result, the entire reimbursed amount of \$136,761.25 is allowable.

Records Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, claims, exceptions, or litigation, whichever is later."

Charles Rufo
Audit Director

Fieldwork Completion Date: October 26, 2006

FINDING AND RECOMMENDATION

FINDING NO. 1 – Trainee hourly wage rates reported by Chevron on invoices submitted to ETP were inaccurate. As a result, the Contractor did not comply with Agreement reporting requirements.

Inaccurate
Reporting

Paragraph 2(d) of the Agreement states, “Contractor shall submit invoices and necessary statistical data to ETP in form and manner prescribed by ETP”. Accurate, complete trainee wage rate information is required to verify compliance with Exhibit A, page 5, paragraph VII-A of the Agreement. This section states, “Each trainee must be employed full-time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

We documented actual trainee wage rates for 25 trainees. Actual wage rates were identified from payroll information provided by Chevron. Actual trainee wage rates reported by Chevron varied by 5 percent or more from actual wage rates for 23 out of 25 trainees. For each of these 23 trainees, the actual wage rate exceeded the reported wage rate provided by Chevron.

Recommendation In the future, Chevron should ensure all wage rates for trainees submitted to ETP are accurate and complete. Inaccurate or incomplete data may result in repayment of unearned funds, plus applicable interest to ETP.

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET03-0355 and should not be used for any other purpose.